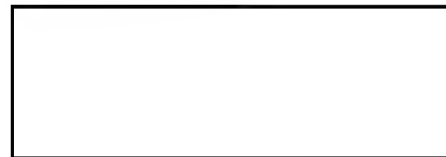


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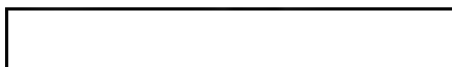
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*Vietnam: (Information as of 4:30 AM EDT)

Political Developments in South Vietnam: The central election council has approved 48 lists of ten men each for the 3 September senate election.

The 4.5- to 5-million voters who are expected to go to the polls will thus be required to pick out six of the 48 different upper house lists as well as one of the 11 presidential tickets.

According to the US Embassy, the outcome of the election is apt to depend on which lists the leading presidential candidates support, on the degree of support from political and religious organizations, and on the names the public can recognize on the tickets.

It appears that the senate will be the voice of Saigon, a representation of political leaders presently serving the government in one form or another, of the religious sects, and of the splintered political parties. The lower house, on the other hand, will be the more broadly representative of the elected bodies, since its approximately 130 members will be elected directly from the provinces and the autonomous cities on the basis of population. The date of the lower house election is not yet firm. The Directorate recently decided to recommend that the Provisional National Assembly move it up from 5 November to 22 October.

The Military Situation in South Vietnam: The ground war in South Vietnam resumed a familiar pattern over the weekend with sharp enemy contacts reported in the western highlands and in the northern I Corps area.

In the western highlands on 23 July, two companies of the US 4th Infantry Division participating in Operation

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FRANCIS MARION killed 124 North Vietnamese Army soldiers six miles southeast of Duc Co in Pleiku Province. The US troops lost 20 killed and 41 wounded.

To the north in I Corps, US Marines killed 38 enemy troops in two sharp clashes below the Demilitarized Zone. The Marines, conducting Operation KINGFISHER, lost 25 killed and 64 wounded. In one of the actions a US patrol was hit by 120 rounds of enemy mortar fire.

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*Egypt: Nasir indicated yesterday that he is ready to try to formulate a common Arab policy toward Israel.

"We must go to the summit conference," he said in his speech on the 15th anniversary of Egypt's revolution. Previously, when King Husayn urged such a conference, Nasir had claimed it would be counterproductive because of the split within Arab ranks over whether or not to seek an accommodation with Israel. He apparently judged that the hard-line advocated by Syria and Algeria's Boumediene would be irreconcilable with the more moderate approach Husayn favors and which Nasir has been inclined to support.

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It is unlikely that he has persuaded the hard-liners to moderate their stand, just as it is doubtful that they have won him over to their uncompromising viewpoint. The call for a summit meeting, thus, could be an act of despair. On the other hand, if he had decided on how next to move toward an accommodation with Israel, he may hope to win wider support for his plans at the summit.

In his speech, Nasir spoke in well-worn terms about continuing the struggle against "Israeli-imperialist" forces, and of Arab determination to "preserve the rights of the people of Palestine." He advocated "popular resistance" and cited Vietnamese Communist successes, in addition to acknowledging the need for reorganization of the armed forces. He also said there were political and economic ways of "preventing imperialism from achieving its aims."

The real aim of the "imperialist-Zionist aggression," he claimed, was "to destroy the socialist revolution in Egypt." Strengthening of "the internal front" was, therefore, a basic requirement. He indicated that this would

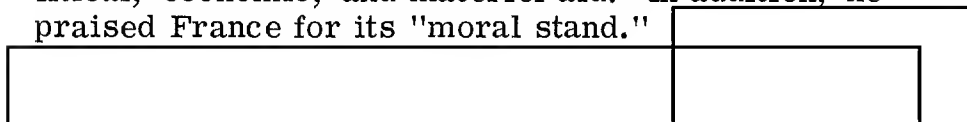
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involve austerity and a rejuvenation of his political organization, the Arab Socialist Union.

Nasir rehearsed his grievances against the US, referring again to the charges that US aircraft and the Liberty had aided the Israelis. His principal complaint, however, was that US counsels of restraint before the war had been "a diplomatic trick, a grave political deception." He also accused the US of responsibility for the inconclusive result in the UN General Assembly.

Nasir also said the Soviet ambassador, prior to the war, had advised restraint and had warned of the great danger a Middle East conflict would involve. Later in the speech, however, he extolled the Soviet Union's political, economic, and materiel aid. In addition, he praised France for its "moral stand."



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* Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Bureau of Intelligence and Research, Department of State or of the Defense Intelligence Agency, Department of Defense.

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Hong Kong - Communist China: The Communist apparatus in the Colony has apparently fallen back to reassess the situation.

Although some small-scale terrorist activity is still taking place, mob violence has diminished to the vanishing point. Continued police raids against Communist installations are meeting with almost no resistance. An editorial in a local Communist newspaper asserts that the government cannot win "final victory" but admitted that the authorities have seized the initiative "for the moment."

The Chinese Communists continue to show restraint. According to the US consul general, British military sources are optimistic over the reported refusal by the Chinese Army to permit renewed demonstrations at the border village which was the scene of an armed clash on 8 July. Inflammatory anti-British posters have reportedly been taken down at another border village, and trench digging on the Chinese side of the frontier has stopped.

Peking propaganda broadcasts still fulminate against alleged British "atrocities" in Hong Kong but declare only that they will arouse still greater resistance among the Chinese in the Colony. A memorandum that was delivered to the British chargé in Peking on 22 July complained that crewmen on British ships visiting a number of Chinese ports had "insulted" Mao but referred to the Hong Kong situation only in passing.

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NOTE

Egypt-Israel: General Bull of the UN Truce Supervision Organization (UNTSO) has obtained Egypt's agreement in principle that there should be no military activity on the Suez Canal. He seems certain to encounter difficulty on this point in Tel Aviv, however, in view of Israel's sensitivity about current access to the canal as a precedent affecting its permanent transit rights through the waterway. UNTSO, meanwhile, has overcome earlier Israeli resistance to the placement of six rather than four observation posts on each side and to the use of roving patrols.

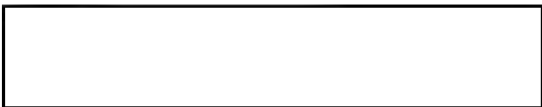
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